

**REPORT OF THE AUDIT OF THE
ROBERTSON COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ROBERTSON COUNTY CLERK

**For The Year Ended
December 31, 2001**

The Auditor of Public Accounts has completed the Robertson County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$1,439 from the prior calendar year. Revenues decreased by \$10,321 from the prior year and disbursements decreased by \$10,315.

Report Comments:

- The County Clerk Should Not Have A Deficit In Her Official Bank Account
- The County Clerk Should Make Daily Deposits
- The County Clerk Should Publish Her Financial Statement In A Timely Manner
- Lacks Adequate Segregation Of Duties

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Bradley Gifford, Robertson County Judge/Executive

Honorable Stephanie Hendricks, Robertson County Clerk

Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Robertson County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bradley Gifford, Robertson County Judge/Executive
Honorable Stephanie Hendricks, Robertson County Clerk
Members of the Robertson County Fiscal Court

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Not Have A Deficit In Her Official Bank Account
- The County Clerk Should Make Daily Deposits
- The County Clerk Should Publish Her Financial Statement In A Timely Manner
- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 20, 2002

ROBERTSON COUNTY
STEPHANIE HENDRICKS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

State Fees For Services		\$	343
Fiscal Court			53,302
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	48,425	
Usage Tax		62,048	
Tangible Personal Property Tax		131,007	
Licenses-			
Fish and Game		597	
Marriage		621	
Deed Transfer Tax		2,822	
Delinquent Tax		4,532	250,052
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	2,205	
Real Estate Mortgages		4,257	
Chattel Mortgages and Financing Statements		6,241	
All Other Recordings		1,603	
Charges for Other Services-			
Candidate Filing Fees		360	14,666
Other:			
Miscellaneous			1,279
Interest Earned			51
Total Receipts		\$	319,693

Disbursements

Payments to State:			
Motor Vehicle-			
Licenses and Transfers	\$	36,876	
Usage Tax		60,172	
Tangible Personal Property Tax		53,851	

The accompanying notes are an integral part of this financial statement.

ROBERTSON COUNTY
STEPHANIE HENDRICKS, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2001
(Continued)

Disbursements (Continued)

Licenses, Taxes, and Fees-		
Fish and Game	\$ 496	
Delinquent Tax	1,454	
Legal Process Tax	2,061	
Candidate Filing Fees	<u>360</u>	\$ 155,270
Payments to Fiscal Court:		
Tangible Personal Property Tax	\$ 10,956	
Delinquent Tax	713	
Deed Transfer Tax	<u>2,617</u>	14,286
Payments to Other Districts:		
Tangible Personal Property Tax	\$ 61,093	
Delinquent Tax	<u>2,265</u>	63,358
Payments to Sheriff		238
Operating Disbursements:		
Miscellaneous		<u>1,792</u>
Total Disbursements		<u>\$ 234,944</u>
Less: Disallowed Disbursements		
Bank Charges		<u>\$ (282)</u>
Total Allowable Disbursements		<u>\$ 234,662</u>
Net Receipts		\$ 85,031
Less: Statutory Maximum		<u>52,548</u>
Excess Fees		\$ 32,483
Payments to County Treasurer for 2001		<u>32,483</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year. A schedule of excess of liabilities over assets is included in this report as a supplemental schedule.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

ROBERTSON COUNTY
STEPHANIE HENDRICKS, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

December 31, 2001

Assets

Cash in Bank	\$ 22,179
Deposits in Transit	<u>48</u>
Total Assets	<u>\$ 22,227</u>

Liabilities

Paid Obligations-

Outstanding Checks

State Treasurer-

Motor Vehicle Licenses	\$ 2,664
Usage Tax	1,149
Candidate Filing Fees	90

Other Districts-

Delinquent Tax	3
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Other-

Tax Bill Preparation	<u>387</u>
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Total Paid Obligations	\$ 4,293
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Unpaid Obligations:

State Treasurer-

Motor Vehicle Licenses	\$ 388
Tangible Personal Property Tax	5,643
Legal Process Tax	269
Candidate Filing Fees	270

Robertson County-

Tangible Personal Property Tax	1,121
Deed Transfer Tax	484
Excess Fees - 2001	4,279

Other Districts-

Tangible Personal Property Tax	6,195
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Other-

Bank Charges	<u>282</u>
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Total Unpaid Obligations	<u>18,931</u>
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Total Liabilities	<u>\$ 23,224</u>
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Total Fund Deficit as of December 31, 2001	<u><u>\$ (997)</u></u>
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COMMENTS AND RECOMMENDATIONS

ROBERTSON COUNTY
STEPHANIE HENDRICKS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

NONCOMPLIANCES

1. The County Clerk Should Not Have A Deficit In Her Official Bank Account

Based on the available records, the County Clerk had a deficit of \$997 in her official bank account, as of December 31, 2001. This deficit resulted from poor internal controls and accountability over cash receipts. The County Clerk failed to make daily deposits throughout the year. This deficit includes \$282 in bank charges (NSF & overdraft fees) incurred in the months of January and February 2002, as a result of the deficit in her account. On March 20, 2002, the County Clerk eliminated the deficit by depositing \$997 from personal funds into her official bank account. We recommend the County Clerk improve accountability over cash receipts in order to prevent deficits from occurring in the future.

County Clerk's Response:

The deficit was from outstanding accounts and an NSF check from a customer that was uncollectible. No credit is allowed from November 1, 2002 forward. All NSF checks are turned over to the county attorney for 2002 for collection.

2. The County Clerk Should Make Daily Deposits

The County Clerk failed to make daily deposits throughout the year. We tested a total of 61 daily deposits for calendar year 2001, and on 27 of the tested dates, deposits were not made in a timely manner. KRS 68.210, KAR 1:070, and TAB 93-002 require the County Clerk "to deposit, all public funds received, into an official account on a daily basis." We recommend the County Clerk deposit all monies received into an official account as required.

County Clerk's Response:

Due to lack of staff this can be a problem. However, fiscal year 2002 is in much better compliance.

3. The County Clerk Should Publish Her Financial Statement In A Timely Manner

The County Clerk's annual financial statement was published on March 18, 2002. KRS 424.220 requires that the financial statement be published within 60 days after the close of the year. We recommend the County Clerk publish the financial statement as required.

County Clerk's Response:

Will publish by 60 days for 2002.

ROBERTSON COUNTY
 STEPHANIE HENDRICKS, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2001
 (Continued)

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

4. Lacks Adequate Segregation Of Duties

We noted the lack of adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition under the standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting limits on spending for salaries and therefore accepts the degree of risk associated with a lack of segregation of duties. However, the Auditor of Public Accounts has judged the lack of adequate segregation of duties to be a reportable condition. The County Clerk is the only full-time employee of the office, therefore, we recommend the County Clerk consider the use of other county personnel to perform comparisons of the County Clerk's receipts and disbursements ledgers to bank receipts and disbursements and to review monthly reconciliations completed by the County Clerk.

County Clerk's Response:

Will consider and discuss with the county judge/executive.

NONCOMPLIANCE AND INTERNAL CONTROL – REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

PRIOR YEAR:

- The County Clerk Should Not Have A Deficit In Her Official Bank Account
A deficit was discovered in the current year and reported again.
- The County Clerk Should Make Daily Deposits
This was not resolved during calendar year 2001 and reported again.
- The County Clerk Should Maintain Proper Documentation For Receipts
This was resolved during calendar year 2001.
- The County Clerk Had Undeposited Receipts Of At Least \$10,635
This was resolved during calendar year 2001.
- The County Clerk's Office Lacks Adequate Segregation Of Duties
This was not resolved during calendar year 2001 and reported again.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Robertson County Clerk for the year ended December 31, 2001, and have issued our report thereon dated November 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Robertson County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Clerk Should Not Have A Deficit In Her Official Bank Account
- The County Clerk Should Make Daily Deposits
- The County Clerk Should Publish Her Financial Statement In A Timely Manner

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Robertson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 20, 2002

